

## **USAID Bangladesh**

### **Food and Agriculture in Bangladesh: A Success Story**

Bangladesh's accomplishments in agriculture and food security in the 30 years since independence have been a major development success story. From Henry Kissinger's "basket case" of the early 70's -- a nation with chronic, major food deficits that was sustained in large measure by food aid -- Bangladesh is now essentially self-sufficient in rice, its basic cereal, and is emerging as a significant exporter of high value agricultural products.

In rice, overall production has increased from 11.7 million MTs in 1974, to 19.9 million MTs in 1999, an average annual increase of 2.14 percent. Wheat production has gone from 0.11 million MT in 1974 to 1.9 million MTs in 1999 and the trade in both key cereals has been opened up to private dealers. The net result is that the country has gone from a situation of chronic deficit to near self-sufficiency. Cereal prices are low and stable, and production continues to increase. At the same time the agricultural economy is diversifying rapidly. Livestock (especially poultry) has been going through a major transformation, with the poultry industry expanding at an annual average rate of 5-6 percent. This, in turn, is leading to further production diversification (expansion of maize production) and expansion of supporting industries (baby chicks, feed mills).

USAID has been actively engaged in the development of Bangladesh's agriculture sector virtually since independence. We have played a major role in the development of the agricultural research system and the institutions of higher agricultural education, in the liberalization of the agricultural input industry and agricultural trade, and in development of rural infrastructure, including rural roads and electrification networks. Following are some examples of program impact.

Rural works: During 1995-2000, the Title II program rehabilitated over 15,000 km. of farm-to-market roads, creating jobs and improving year-round access to markets and basic human development services. Documented benefits include lower travel costs and associated 94 percent increase in freight traffic. Further, the construction to environmentally sound standards has facilitated improved water flow, leading to quicker recession of flood waters and, as a consequence, a 16 percent increase in agricultural production (by value) in the project area. The Internal Rate of Return (IRR) of Title II rural road program was 29 percent, more than double the accepted international norm.

Food aid management and targeting: USAID-led policy dialogue has led to the GOB's reorienting its large Public Food Distribution System (PFDS) away from mass distribution in favor of a targeted food "safety net" program for the poor, and from entirely public sector administration toward allowing the private sector to play a key food security role. In FY 2000, the MOF distributed 85 percent of the public food to targeted programs (Food for Education, Food for Work, etc.) for the poor, an increase of about 46 percent since 1992. An increased share food grain imports is now undertaken by the private sector under free trade, starting from zero in 1991 to 50 percent (of total commercial imports) in 1996, to 100 percent in 2000. This transition has helped the GOB deal with adverse food situations arising out of the hidden drought of 1997 and the devastating flood of 1998. During the GOB's FY 1999 (pre- and post- 1998 flood), private sector imports, mainly from India, reached 2.26 million MTs. Government imports and subsidized sales of this magnitude were simply not feasible. Had the GOB imported this grain itself, the total fiscal cost would have been about \$185 million.

Rural Electrification: USAID was the original donor to support the Rural Electrification (RE) program beginning in 1977. During 1977-2000, nearly 2.42 million domestic connections have been provided and over 80,000 irrigation pumps and 400,000 commercial businesses have been electrified. The 57 local electric cooperatives now reach over 20 million rural people. The economic impact has been pronounced: crop yields are up in electrified villages, as are both the number of agricultural jobs and the wages received by agricultural labor. Further, as a result of sound management and local control, the RE system is profitable, with a 95+% collection rate (versus 60% nationwide) and total system losses of less than half that of the national utility.

Agribusiness: In more recent years, USAID has been actively promoting commercial agribusiness development, both for meeting the growing domestic consumer demand for diversified and higher value products (spurred by increasing per capita incomes) and for export. Agricultural exports (bulk and high value/processed) have grown by 4.7 percent over the past five years. In 2000, the value of shrimp exports alone was \$296.3 million. And unlike the case of the garment industry, where the bulk of the export earnings go back out of the country to pay for imported raw materials and machinery, with agribusiness the value-added stays in the country.

There have been impressive successes, and it is clear that agriculture and agribusiness are going to remain the bedrock of Bangladesh's economy for the coming years. At the same time, important challenges remain. There is still much too much hunger, associated more with lack of economic alternatives than with overall food production, and nutritional standards are generally abysmal. Strong and effective efforts are needed to expand jobs and incomes, increase value added in production and processing, and improve nutrition through more diversified agricultural production and development of the fisheries and livestock sectors.

By virtue of USAID's historical role in the development of Bangladesh agriculture and our on-going agribusiness, food security policy (including Title II) and natural resource management activities we are looked to as a food and agriculture sector leader by other donors, and as a key development partner by the GOB. The USAID Mission intends to live up to these expectations.